

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2009 and 2008

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Most Reverend George V. Murry, S.J.
Bishop of The Roman Catholic Diocese
of Youngstown
Youngstown, Ohio

We have audited the accompanying statements of financial position of the Central and Administrative Operations of The Roman Catholic Diocese of Youngstown as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central and Administrative Operations of The Roman Catholic Diocese of Youngstown as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anness, Gerlach & Williams

December 9, 2009

STATEMENTS OF FINANCIAL POSITION

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	June 30	
	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,724,312	\$ 2,702,294
Investments, at fair value	1,565,689	460,620
Accounts receivable of \$7,904,821 in 2009 and \$6,967,089 in 2008, less allowance for doubtful accounts of \$1,470,000 and \$1,440,109, respectively	6,434,821	5,526,980
Prepaid expenses and other current assets	162,180	126,718
Current portion of notes and loans receivable	31,760	19,950
TOTAL CURRENT ASSETS	<u>9,918,762</u>	<u>8,836,562</u>
OTHER ASSETS		
Beneficial interest in perpetual trust	350,000	350,000
Investments, at fair value	6,657,363	8,918,887
Notes and loans receivable	124,385	156,145
Deposits and other	228,385	220,000
TOTAL OTHER ASSETS	<u>7,360,133</u>	<u>9,645,032</u>
LAND, BUILDINGS AND EQUIPMENT	<u>1,665,551</u>	<u>2,363,331</u>
TOTAL ASSETS	<u>\$ 18,944,446</u>	<u>\$ 20,844,925</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS.

June 30	
2009	2008

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 777,655	\$ 548,325
Insurance claims payable	864,722	957,038
Estimated liability for claims incurred but not reported	1,488,428	1,511,111
Amount due related party	100,000	-
Funds held for others	939,501	851,645
TOTAL CURRENT LIABILITIES	<u>4,170,306</u>	<u>3,868,119</u>

OTHER LIABILITIES

Pension plan funded status	1,000,000	125,000
Amount due others	90,028	84,138
TOTAL OTHER LIABILITIES	<u>1,090,028</u>	<u>209,138</u>

TOTAL LIABILITIES	5,260,334	4,077,257
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NET ASSETS

Unrestricted:		
Undesignated	3,028,275	3,335,687
Designated	9,963,862	12,544,918
TOTAL UNRESTRICTED	<u>12,992,137</u>	<u>15,880,605</u>
Temporarily restricted	341,975	537,063
Permanently restricted	350,000	350,000
TOTAL NET ASSETS	<u>13,684,112</u>	<u>16,767,668</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,944,446</u>	<u>\$ 20,844,925</u>
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STATEMENTS OF ACTIVITIES

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
CENTRAL SERVICES OPERATIONS				
Revenues and other support:				
Parish assessments	\$ 3,710,804	\$ -	\$ -	\$ 3,710,804
Support from Bishop's Appeal	1,025,499	-	-	1,025,499
Department revenues and fees	765,470	-	-	765,470
Gifts and donations	308,982	5,000	-	313,982
Interest and dividend income	24,554	14,606	-	39,160
Other	1,953	-	-	1,953
Net assets released from donor restrictions	131,998	(131,998)	-	-
TOTAL REVENUES AND OTHER SUPPORT	5,969,260	(112,392)	-	5,856,868
Expenses:				
Program Services:				
Canonical	350,603	-	-	350,603
Clergy and religious	1,085,330	-	-	1,085,330
Pastoral	1,444,863	-	-	1,444,863
Educational	1,340,104	-	-	1,340,104
Supporting Services:				
Administrative	1,522,142	-	-	1,522,142
Fundraising	137,274	-	-	137,274
Diocesan assessments and pastoral grants	204,916	-	-	204,916
Provision for doubtful accounts	(45,973)	-	-	(45,973)
TOTAL EXPENSES	6,039,259	-	-	6,039,259
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES	(69,999)	(112,392)	-	(182,391)
Gains (losses) on investments:				
Net realized gains (losses) on sale of investments	(6,012)	(8,434)	-	(14,446)
Net unrealized depreciation in fair value of investments	(58,715)	(84,531)	-	(143,246)
TOTAL GAINS (LOSSES)	(64,727)	(92,965)	-	(157,692)
CHANGE IN NET ASSETS - CENTRAL SERVICES OPERATIONS	(134,726)	(205,357)	-	(340,083)

Year Ended June 30, 2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,669,271	\$ -	\$ -	\$ 3,669,271
900,362	-	-	900,362
708,911	-	-	708,911
311,903	-	-	311,903
204,488	11,621	-	216,109
1,656	-	(1,130)	526
2,500	(2,500)	-	-
<u>5,799,091</u>	<u>9,121</u>	<u>(1,130)</u>	<u>5,807,082</u>
308,319	-	-	308,319
1,050,842	-	-	1,050,842
1,392,651	-	-	1,392,651
1,202,441	-	-	1,202,441
1,507,414	-	-	1,507,414
132,712	-	-	132,712
164,596	-	-	164,596
(17,885)	-	-	(17,885)
<u>5,741,090</u>	<u>-</u>	<u>-</u>	<u>5,741,090</u>
<u>58,001</u>	<u>9,121</u>	<u>(1,130)</u>	<u>65,992</u>
79	23,269	-	23,348
(41,395)	(71,875)	-	(113,270)
<u>(41,316)</u>	<u>(48,606)</u>	<u>-</u>	<u>(89,922)</u>
16,685	(39,485)	(1,130)	(23,930)

STATEMENTS OF ACTIVITIES (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
HIGH SCHOOL OPERATIONS				
Revenues and other support:				
Parish assessments	1,888,160	-	-	1,888,160
Interest and dividend income	1,177	-	-	1,177
TOTAL REVENUES AND OTHER SUPPORT	1,889,337	-	-	1,889,337
Expenses:				
Support	1,830,000	-	-	1,830,000
Provision for doubtful accounts	146,281	-	-	146,281
TOTAL EXPENSES	1,976,281	-	-	1,976,281
CHANGE IN NET ASSETS - HIGH SCHOOL OPERATIONS	(86,944)	-	-	(86,944)
BISHOP'S RESERVE OPERATIONS				
Revenues, losses and other support:				
Interest and dividend income	45,763	-	-	45,763
Net realized loss on sale of investments	(130,358)	-	-	(130,358)
Net unrealized depreciation in fair value of investments	(113,523)	-	-	(113,523)
TOTAL REVENUES, LOSSES AND OTHER SUPPORT	(198,118)	-	-	(198,118)
Expenses:				
Distributions	16,300	-	-	16,300
Administrative	9,755	-	-	9,755
TOTAL EXPENSES	26,055	-	-	26,055
CHANGE IN NET ASSETS - BISHOP'S RESERVE OPERATIONS	(224,173)	-	-	(224,173)

Year Ended June 30, 2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
1,867,991	-	-	1,867,991
11,657	-	-	11,657
1,879,648	-	-	1,879,648
1,800,000	-	-	1,800,000
(10,740)	-	-	(10,740)
1,789,260	-	-	1,789,260
90,388	-	-	90,388
54,988	-	-	54,988
(34,725)	-	-	(34,725)
(79,917)	-	-	(79,917)
(59,654)	-	-	(59,654)
544,000	-	-	544,000
10,896	-	-	10,896
554,896	-	-	554,896
(614,550)	-	-	(614,550)

STATEMENTS OF ACTIVITIES (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SELF-INSURANCE OPERATIONS				
Revenues and other support:				
Premium billings	14,722,565	-	-	14,722,565
Interest and dividend income	163,396	-	-	163,396
TOTAL REVENUES AND OTHER SUPPORT	14,885,961	-	-	14,885,961
Expenses:				
Insurance claims settled and paid	10,647,481	-	-	10,647,481
Insurance premiums	3,378,051	-	-	3,378,051
Decrease in provision for claims incurred but not reported	(22,683)	-	-	(22,683)
Administrative	488,302	-	-	488,302
Provision for doubtful accounts	258,072	-	-	258,072
TOTAL EXPENSES	14,749,223	-	-	14,749,223
EXCESS REVENUES AND OTHER SUPPORT OVER EXPENSES	136,738	-	-	136,738
Gains (losses) on investments:				
Net realized loss on sale of investments	(153,742)	-	-	(153,742)
Net unrealized depreciation in fair value of investments	(735,156)	-	-	(735,156)
TOTAL GAINS (LOSSES)	(888,898)	-	-	(888,898)
CHANGE IN NET ASSETS - SELF-INSURANCE OPERATIONS	(752,160)	-	-	(752,160)
CHANGE IN TOTAL NET ASSETS BEFORE OTHER DEDUCTIONS	(1,198,003)	(205,357)	-	(1,403,360)

Year Ended June 30, 2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
14,559,428	-	-	14,559,428
321,937	-	-	321,937
14,881,365	-	-	14,881,365
9,942,195	-	-	9,942,195
3,360,139	-	-	3,360,139
(46,824)	-	-	(46,824)
442,446	-	-	442,446
100,000	-	-	100,000
13,797,956	-	-	13,797,956
1,083,409	-	-	1,083,409
(100,040)	-	-	(100,040)
(468,092)	-	-	(468,092)
(568,132)	-	-	(568,132)
515,277	-	-	515,277
7,800	(39,485)	(1,130)	(32,815)

STATEMENTS OF ACTIVITIES (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OTHER DEDUCTIONS				
Decrease in net assets due to				
pension plan funded status	(875,000)	-	-	(875,000)
Transfer of net assets to related entities	(448,400)	-	-	(448,400)
Parish interest charges forgiven	(186,825)	-	-	(186,825)
Loss on disposal of assets	(52,764)	-	-	(52,764)
Change in sick time policy and other	(127,476)	10,269	-	(117,207)
TOTAL OTHER DEDUCTIONS	<u>(1,690,465)</u>	<u>10,269</u>	<u>-</u>	<u>(1,680,196)</u>
CHANGE IN TOTAL NET ASSETS	(2,888,468)	(195,088)	-	(3,083,556)
NET ASSETS AT BEGINNING OF YEAR	<u>15,880,605</u>	<u>537,063</u>	<u>350,000</u>	<u>16,767,668</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,992,137</u>	<u>\$ 341,975</u>	<u>\$ 350,000</u>	<u>\$ 13,684,112</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS.

Year Ended June 30, 2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
(350,000)	-	-	(350,000)
-	-	(73,332)	(73,332)
-	-	-	-
-	-	-	-
<u>(350,000)</u>	<u>-</u>	<u>(73,332)</u>	<u>(423,332)</u>
(342,200)	(39,485)	(74,462)	(456,147)
<u>16,222,805</u>	<u>576,548</u>	<u>424,462</u>	<u>17,223,815</u>
<u>\$ 15,880,605</u>	<u>\$ 537,063</u>	<u>\$ 350,000</u>	<u>\$ 16,767,668</u>

STATEMENTS OF CASH FLOWS

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ (3,083,556)	\$ (456,147)
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Noncash (revenues) expenses:		
Depreciation	231,715	278,906
Provision for doubtful accounts	358,380	71,375
Net unrealized depreciation in fair value of investments	991,925	661,279
Net realized loss on sale of investments	298,546	111,417
Decrease in contribution receivable from remainder trust	-	2,130
Gain on beneficial interest in perpetual trust	-	(1,000)
Net periodic pension costs	35,000	2,000
Loss on pension plan funded status	840,000	348,000
Loss on disposal of equipment	52,764	-
Transfer of net assets to related entities	448,400	73,332
	<u>173,174</u>	<u>1,091,292</u>
Change in operating assets and liabilities:		
Net increase in accounts receivable	(1,266,221)	(410,724)
Net increase in prepaid expenses and other assets	(43,847)	(182,616)
Net increase in accounts payable and accrued expenses	229,330	191,327
Net decrease in other liabilities	(9,109)	(25,790)
Net increase (decrease) in funds held for others	87,856	(10,411)
	<u>87,856</u>	<u>(10,411)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(828,817)	653,078

STATEMENTS OF CASH FLOWS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30	
	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land, buildings and equipment	(35,099)	(96,538)
Advances on notes and loans receivable	-	(43,893)
Payments on notes and loans receivable	19,950	955
Purchase of investments	(2,476,438)	(2,564,708)
Proceeds from sale of investments	2,342,422	3,222,532
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(149,165)</u>	<u>518,348</u>
NET INCREASE (DECREASE) IN CASH	(977,982)	1,171,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,702,294</u>	<u>1,530,868</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,724,312</u>	<u>\$ 2,702,294</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

CENTRAL AND ADMINISTRATIVE OPERATIONS OF THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE A - NATURE OF ORGANIZATION AND OPERATIONS

The Central and Administrative Operations of The Roman Catholic Diocese of Youngstown (the Diocese), a not-for-profit religious organization, is comprised of the activities of the central services office of The Roman Catholic Diocese of Youngstown. The Diocese serves six counties in northeastern Ohio.

Revenue and support for central services operations are generated primarily by parish assessments, support from Bishop's Appeal, and fees for services rendered by the central services departments.

Major program services provided by central services consist of canonical, clergy and religious, pastoral, and educational services.

Central services administers funds received from parishes for the support of Diocesan high schools.

The Bishop's Reserve is a Diocesan reserve available for contingencies or extraordinary expenses incurred by the Diocese.

The Diocese has a self-insured program for physical damage to property, equipment and contents as well as comprehensive liability. The central services office, all parishes and certain related institutions participate in the program. Commercial insurance coverage is maintained for losses in excess of self-insured limits.

The Diocese also maintains a self-funded health insurance program and self-funded unemployment and workers' compensation programs. These programs cover employees of the central services office, all parishes and certain related institutions. The self-funded health insurance program includes insurance for catastrophic claims and specific and aggregate stop loss coverages. Stop loss coverage is also carried for the workers' compensation program.

Third party administrators assist the central services office in the claims administration of all self-insurance operations.

The financial statements include the financial activities of the central and administrative operations of The Roman Catholic Diocese of Youngstown. The financial statements do not include the accounts of other Diocesan organizations such as Catholic Charities, Catholic Exponent, Diocesan Foundation, Diocesan Property Corporation, Diocesan Capital Campaign Corporation, parishes, schools, cemeteries and homes for the aged, which are separate operating entities distinct from the central services office. These organizations administer their own service programs and maintain separate accounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Diocese have been prepared utilizing the accrual basis of accounting. All material interoffice and interdepartmental transactions have been eliminated in the accompanying statements.

Self-insurance premium billings include the amounts billed to Central Services Operations for their portion related to health insurance, unemployment, workers' compensation, property and equipment and comprehensive liability. The related costs of the above insurance programs are included in the program and supporting services expenses of the Central Services Operations in the statement of activities.

Financial Statement Presentation:

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," FASB Staff Position (FSP) FAS 117-1, "Endowments of Not-for-Profit Organizations," SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," and SFAS No. 157, "Fair Value Measurements (as amended)."

Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Under SFAS No. 117, the Diocese is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the temporarily and permanently restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted, and are reported as part of the unrestricted class.

FASB Staff Position (FSP), FAS 117-1, provides guidance on the net asset classification of endowment funds for a not-for-profit organization that is subject to an enacted version of the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guidance for states to use in enacting legislation. The FSP requires disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. As discussed further in Note L, the State of Ohio adopted the provisions of UPMIFA on January 6, 2009.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued):

Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. SFAS No. 157 amends SFAS No. 124 by defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the change in net assets.

SFAS No. 157 also establishes a fair value hierarchy consisting of three levels of input generally ranging from the most objective determination of fair value to the most subjective. The levels vary depending on the objectivity of the information used in valuation techniques to determine fair value. The levels as categories of inputs are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs are the most subjective, are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

The Diocese has partially adopted SFAS No. 157 relating to financial assets, which is effective for fiscal years beginning after November 15, 2007. The Diocese has not adopted the provisions of SFAS No. 157 relating to nonfinancial assets and nonfinancial liabilities, which are not effective until fiscal years beginning after November 15, 2008.

Cash and Cash Equivalents:

The Diocese includes cash checking and sweep accounts that are used for operating purposes as cash and cash equivalents for the statements of financial position and cash flows.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments:

Investments are stated at fair value with realized gains or losses on the sale of investments determined through reference to the fair value at the beginning of the fiscal year, or cost, if acquired during the year.

Accounts Receivable:

Accounts receivable include uncollateralized obligations due from parishes and other institutions for services provided by the Diocese.

The Diocese provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of existing receivable accounts. Criteria used to determine when an account is deemed uncollectible include billing terms and how recently parishes and other institutions have made payments. Historical losses and existing economic conditions are also considered to determine the collectability of an account.

Notes and Loans Receivable:

Notes and loans receivable include non-interest bearing loans to Diocesan organizations, schools, priests and seminarians.

Land, Buildings and Equipment:

Land, buildings and equipment are capitalized at cost, when purchased, or fair value at date of gift, when donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Income Tax Status:

The Diocese is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions:

The central services office's personnel participate in pension plans with the Diocese covering eligible employees. Lay personnel are covered by a contributory pension plan. The charge to income for the years ended June 30, 2009 and 2008 was \$66,950 and \$70,017, respectively. Priests are covered by a noncontributory pension plan. The charge to income for the years ended June 30, 2009 and 2008 was \$66,358 and \$52,694, respectively. The central services office's policy is to fund pension costs accrued and recognize its portion of the Diocesan pension plan funded status in accordance with SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."

SFAS No. 158 requires an employer to recognize the funded status of the plan in its statement of financial position. The funded status is measured as the difference between the fair value of plan assets and the related benefit obligation. For pension plans, the benefit obligation is the projected benefit obligation. The Statement also requires an employer to recognize in the changes in unrestricted net assets the actuarial gains (losses) and prior service costs (credits) that arise during the period. Further, the Statement requires an employer to measure defined benefit plan assets and obligations as of the date of its fiscal year end statement of financial position and to disclose certain effects of net periodic benefit cost for the upcoming fiscal year resulting from delayed recognition of actuarial gains (losses) and prior service costs (credits).

During the year ended June 30, 2009, the pension benefit activity consists of a \$840,000 loss and net periodic pension costs of \$35,000. During the year ended June 30, 2008, the pension benefit activity consists of a \$348,000 loss and net periodic pension costs of \$2,000. There are no unrecognized gains, losses or costs as of June 30, 2009 and 2008.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued):

The establishment of insurance claims payable is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a variety of factors. Consequently, the establishment of the insurance claims payable and insurance and benefits expense relies on the judgment and opinion of management, on historical precedent and trends, and on expectations as to future developments. The process of determining the insurance claims payable involves risks that the actual results could substantially deviate from the estimates made.

Reclassifications:

Certain 2008 amounts have been reclassified to conform to 2009 classifications.

NOTE C - INVESTMENTS

Investments are stated at fair value and consist of the following:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Current:		
Mutual funds:		
Equity	\$ 929,561	\$ 278,900
Fixed income	<u>579,275</u>	<u>161,048</u>
	1,508,836	439,948
Money market funds	<u>56,853</u>	<u>20,672</u>
	<u>\$1,565,689</u>	<u>\$ 460,620</u>
TOTAL CURRENT INVESTMENTS	<u>\$1,565,689</u>	<u>\$ 460,620</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE C - INVESTMENTS (CONTINUED)

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Noncurrent:		
Common and preferred stock	\$1,910,147	\$2,148,187
Mutual funds:		
Equity	1,729,016	2,618,812
Fixed income	<u>827,936</u>	<u>1,299,453</u>
	2,556,952	3,918,265
Corporate bonds and notes	643,211	800,379
U.S. Government obligations	984,975	1,279,508
Money market funds	339,179	549,649
Nonmarketable securities	<u>222,899</u>	<u>222,899</u>
	<u>\$6,657,363</u>	<u>\$8,918,887</u>

Nonmarketable securities consist of the investment in Class A and Class B common stock of two (2) captive insurance companies, namely, The National Catholic Risk Retention Group, Inc. (NCRRG) and the Bishop's Plan Insurance Company (BPIC) in the amount of \$102,899 and \$120,000, respectively.

NCRRG operates as a risk retention group providing excess liability insurance to the Diocese and certain other Roman Catholic Dioceses and Archdiocese that are investing members of the Company. BPIC operates as a reinsurance company for workers' compensation, general liability, fidelity and crime, automobile liability, and property losses of Roman Catholic Dioceses and Archdiocese.

In 2009, the net realized loss on the sale of investments was \$298,546 and the net unrealized depreciation in the fair value of investments was \$991,925.

In 2008, the net realized loss on the sale of investments was \$111,417 and the net unrealized depreciation in the fair value of investments was \$661,279.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE C - INVESTMENTS (CONTINUED)

Investments measured at fair value on a recurring basis are as follows:

Description	June 30, 2009	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 1,910,147	\$ 1,910,147	\$ -	\$ -
Corporate bonds and notes	643,211	643,211	-	-
Mutual funds	4,065,788	4,065,788	-	-
U.S. Government obligations	984,975	984,975	-	-
Money market funds	396,032	396,032	-	-
Nonmarketable securities	<u>222,899</u>	<u>-</u>	<u>-</u>	<u>222,899</u>
TOTALS	<u>\$ 8,223,052</u>	<u>\$ 8,000,153</u>	<u>\$ -</u>	<u>\$ 222,899</u>

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Significant Unobservable Inputs (Level 3)
Beginning balance, July 1, 2008	\$222,899
Total unrealized gains (losses) included in changes in net assets	<u>-</u>
ENDING BALANCE, JUNE 30, 2009	<u>\$222,899</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 CENTRAL AND ADMINISTRATIVE OPERATIONS OF
 THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE C - INVESTMENTS (CONTINUED)

The investments in NCRRG and BPIC are valued at original cost, which approximates the Diocese's interest in the net book value of the companies, and is the exit price upon withdrawing as an investor. This method of valuation was developed based upon the best information available and reflects management's assumptions.

NOTE D - NOTES AND LOANS RECEIVABLE

Notes and loans receivable are unsecured and consist of the following:

	June 30					
	2009	2008				
Six non-interest bearing notes receivable from individuals studying for the priesthood, payable in monthly installments starting after their ordination to the priesthood. Three individuals have been ordained as of June 30, 2009. Monthly payments of \$924 will be collected on two of the notes over a period of four years starting in November 2009. A monthly payment of \$356 will be collected on the other note over two years starting in November 2009.	\$101,940	\$101,940				
Non-interest bearing loan to individual, payable in bi-weekly installments of \$75 through October 2013	8,050	10,000				
Non-interest bearing loan to high school, payable in monthly installments of \$1,500 per month through March 2011	31,507	49,507				
Non-interest bearing loan to a priest, payable in monthly installments of \$407 starting in November 2009 through October 2012	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr><td style="text-align: right; border-bottom: 1px solid black;">14,648</td></tr> <tr><td style="text-align: right;">156,145</td></tr> </table>	14,648	156,145	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr><td style="text-align: right; border-bottom: 1px solid black;">14,648</td></tr> <tr><td style="text-align: right;">176,095</td></tr> </table>	14,648	176,095
14,648						
156,145						
14,648						
176,095						
Less current portion	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr><td style="text-align: right; border-bottom: 1px solid black;">31,760</td></tr> </table>	31,760	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr><td style="text-align: right; border-bottom: 1px solid black;">19,950</td></tr> </table>	19,950		
31,760						
19,950						
TOTALS	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr><td style="text-align: right; border-bottom: 3px double black;">\$124,385</td></tr> </table>	\$124,385	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr><td style="text-align: right; border-bottom: 3px double black;">\$156,145</td></tr> </table>	\$156,145		
\$124,385						
\$156,145						

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE E - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Diocese has a beneficial interest in a perpetual trust. Under the terms of the trust, the Diocese receives one-eighth of the annual distribution of the trust to be used at its discretion for general charitable purposes. The one-eighth beneficial interest is recognized at the estimated fair value at June 30, 2009 and 2008.

NOTE F - LAND, BUILDINGS AND EQUIPMENT

Classification of fixed assets and their respective depreciable lives are summarized as follows:

	<u>June 30</u>		<u>Depreciable Lives</u>
	<u>2009</u>	<u>2008</u>	
Land improvements	\$ 45,527	\$ 45,527	15 years
Buildings and improvements	3,765,848	7,419,513	5-25 years
Equipment	1,001,354	1,847,322	3-10 years
Vehicles	<u>91,318</u>	<u>93,359</u>	2-5 years
	4,904,047	9,405,721	
Less accumulated depreciation	<u>(3,538,495)</u>	<u>(7,517,152)</u>	
	1,365,552	1,888,569	
Land	<u>299,999</u>	<u>474,762</u>	
TOTALS	<u>\$1,665,551</u>	<u>\$2,363,331</u>	

NOTE G - FUNDS HELD FOR OTHERS

The Diocese receives funds from donors designated to be distributed to various organizations. Cash and investments in the amounts of \$560,479 and \$379,022, respectively, at June 30, 2009 and \$407,325 and \$444,320, respectively, at June 30, 2008 were being held to fund these obligations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE H - UNRESTRICTED NET ASSETS

Unrestricted net assets are available for the following purposes:

<u>Purpose</u>	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Undesignated for:		
Central services operations	\$ 3,028,275	\$ 3,335,687
Designated for:		
Land, buildings and equipment	1,575,013	2,272,792
High school operations	722,978	809,922
Bishop's Reserve operations	1,334,161	1,558,333
Self-insurance operations	7,331,710	8,028,871
Pension plan funded status	<u>(1,000,000)</u>	<u>(125,000)</u>
	<u>9,963,862</u>	<u>12,544,918</u>
TOTALS	<u>\$12,992,137</u>	<u>\$15,880,605</u>

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<u>Purpose</u>	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Seminarian education	\$326,706	\$532,672
Educational scholarships	-	4,391
Religious education program services	10,269	-
Faith and family festival	<u>5,000</u>	<u>-</u>
TOTALS	<u>\$341,975</u>	<u>\$537,063</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 CENTRAL AND ADMINISTRATIVE OPERATIONS OF
 THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE J - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, the income from which is currently expendable, but which are restricted to investments in perpetuity are:

Purpose	June 30	
	2009	2008
General charity	<u>\$350,000</u>	<u>\$350,000</u>

NOTE K - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions due to events specified by the donors as follows:

Purpose Restrictions Accomplished	Year Ended June 30	
	2009	2008
Seminarian education	\$127,607	\$ -
Educational scholarships	<u>4,391</u>	<u>2,500</u>
TOTALS	<u>\$131,998</u>	<u>\$ 2,500</u>

NOTE L - ENDOWMENT

The Diocese's endowment consists of investments in fewer than ten accounts. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2009 and 2008, there are not any board-designated endowment funds.

On January 6, 2009, Ohio Governor Ted Strickland signed House Bill 522, which establishes specific requirements under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) regarding the management, investment and appropriation of institutional funds under the control of charitable institutions.

As a result of UPMIFA, the following additional endowment disclosures are required for the year ended June 30, 2009.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE L - ENDOWMENT (CONTINUED)

Interpretation of relevant law

The Finance Council of the Diocese has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. The Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Diocese and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Diocese
7. The investment policies of the Diocese

Endowment spending and investment policy

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support parishes, schools, agencies, departments and programs of The Roman Catholic Diocese of Youngstown, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds. Under this policy, as approved by the Finance Council, the endowment assets are invested in equity, fixed income securities, and money market investments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE L - ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 341,975</u>	<u>\$ 350,000</u>	<u>\$ 691,975</u>

Changes in endowment net assets for the year ended June 30, 2009 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 537,063	\$ 350,000	\$ 887,063
Gifts and donations	5,000	-	5,000
Other	10,269	-	10,269
Investment return:			
Interest income	14,606	-	14,606
Net depreciation	<u>(92,965)</u>	<u>-</u>	<u>(92,965)</u>
Total investment return	(78,359)	-	(78,359)
Amounts appropriated for expenditure	<u>(131,998)</u>	<u>-</u>	<u>(131,998)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 341,975</u>	<u>\$ 350,000</u>	<u>\$ 691,975</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE L - ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2008 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 537,063</u>	<u>\$ 350,000</u>	<u>\$ 887,063</u>

Changes in endowment net assets for the year ended June 30, 2008 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 576,548	\$ 424,462	\$1,001,010
Investment return:			
Investment income	11,621	-	11,621
Net depreciation	<u>(48,606)</u>	<u>(1,130)</u>	<u>(49,736)</u>
Total investment return	(36,985)	(1,130)	(38,115)
Transfer of net assets to related entity	-	(73,332)	(73,332)
Amounts appropriated for expenditure	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 537,063</u>	<u>\$ 350,000</u>	<u>\$ 887,063</u>

NOTE M - RELATED PARTIES

Transfer of Net Assets to Related Entities:

During the year ended June 30, 2009, the Diocese transferred board-designated land, buildings and equipment net assets in the amount of \$448,400 to St. Columba Cathedral and the Newman Center.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE M - RELATED PARTIES (CONTINUED)

Transfer of Net Assets to Related Entities (Continued):

During the year ended June 30, 2008, the Diocese, by order of the Mahoning County Probate Court, transferred permanently restricted net assets in the amount of \$73,332 relating to a remainder trust to The Roman Catholic Diocese of Youngstown Foundation. Prior to the transfer, the Diocese had a beneficial interest in a charitable remainder trust, which is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, a not-for-profit organization receives the assets remaining in the trust. A contribution receivable was recorded for the present value of estimated future cash flows expected to be received by the Diocese. The change in value of this split-interest agreement decreased permanently restricted net assets by \$2,130 in 2008.

Other:

During the year ended June 30, 2008, the Diocese made a decision to contribute \$475,000 for monies previously advanced to the Diocesan Capital Campaign Corporation in order to help fund the administrative cost of the Campaign.

The amount contributed is included in distributions expense under the Bishop's Reserve Operations caption in the statements of activities.

NOTE N - SICK TIME POLICY AND OTHER

During the year ended June 30, 2009, the Diocese changed the basis of accounting for sick pay obligations from a pay-as-you-go method to the accrual basis. The accrued liability is based upon employees earning 1% for each completed year of service up to a maximum of 25% of accumulated sick days. The obligation is paid at the employee's current pay rate at the time of termination of employment.

The accrued liability for sick pay amounted to \$159,953 at June 30, 2009. Due to the insignificant amount of the liability at June 30, 2008, in addition to an unrelated adjustment to a pension account, restatement of the prior year unrestricted net assets was deemed unnecessary. As a result, unrestricted net assets at June 30, 2009 decreased in the amount of \$127,476 to reflect these adjustments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2009 and 2008

NOTE O - CASH BALANCES AND SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Diocese maintains its cash and cash equivalents and money market funds in financial institutions. Accounts at these institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and/or the Securities Investor Protection Corporation (SIPC) up to \$100,000 per institution. The FDIC limit was increased from \$100,000 to \$250,000 as part of the Federal Emergency Stabilization Act enacted in October 2008. Financial Accounting Standards require disclosure of all deposit balances in excess of FDIC insured limits. On occasion, the Diocese maintains cash and cash equivalents and money market fund balances at financial institutions in excess of FDIC or SPIC insured limits.

Credit risk for accounts receivable is concentrated because substantially all of the balances are due from parishes and institutions located within the same geographic region.

NOTE P - COMMITMENTS AND CONTINGENCIES

The Diocese is involved in various matters of litigation. These matters are defended by counsel and ultimately resolved through normal legal procedures. In the opinion of management and legal counsel, the ultimate disposition of all litigation matters will not have a material adverse effect on the financial position of the Diocese.

In addition, The Roman Catholic Diocese of Youngstown is guarantor of loans to parishes and institutions which aggregated \$8,875,156 at June 30, 2009 and \$7,677,022 at June 30, 2008. Subsequent to June 30, 2009, the Diocese is guarantor of additional loans to parishes and institutions in the amount of \$1,794,846.

NOTE Q - FUNCTIONAL ALLOCATION OF EXPENSES

Certain costs of central services operations have directly benefited various programs and supporting services. These costs have been allocated and are presented on a functional basis in the statement of activities.

NOTE R - SUBSEQUENT EVENT

The Diocese has evaluated all subsequent events through December 9, 2009, the date the financial statements were available to be issued.